

Teva Turnaround Challenging But Likely with New CEO and Strong Initiatives

Companies: ACT, ANIP, BIIB, BOM:524816, CAH, ETR:BAYN/BAYRY, MNTA, MYL, PATH, PFE, TLV:TEVA/TEVA

January 31, 2014

Research Question:

Can Teva's new CEO unify the company with a solution for its proprietary and generics businesses?

Summary of Findings

- Specific awareness of [Teva Pharmaceutical Industries Ltd.'s](#) (TLV:TEVA/TEVA) new CEO [Erez Vigodman](#) was limited, but sources were knowledgeable of the [pending patent expiration](#) of Teva's [Copaxone multiple sclerosis drug](#), Teva's stiff competition within the generics market, and the low morale of its employees.
- Twelve of 19 sources think a turnaround for Teva is possible in one to two years despite the company's recent management shakeup, its future share losses for Copaxone, and pricing pressure from healthcare reform.
- Those 12 sources expecting a recovery for Teva point to its already strong portfolio of generic drugs; its promising new generic and proprietary offerings (including from [NuPathe Inc./PATH](#), which is being [acquired](#)); its [respiratory drugs](#); and its [generic Viagra](#) set for U.S. release in 2017.
- Teva's share losses for Copaxone will not begin until May 2014, when Mylan Inc. (MYL) will [market the generic version](#) in the United States for Natco Pharma Ltd. (BOM:524816). This should give Teva time to switch some patients to its [new, more potent, thrice-weekly Copaxone](#), which was approved by the FDA on Jan. 28.
- Teva's challenges include the Copaxone patent cliff; its reputation of having higher-priced generics compared with competitors; and the lower margins and higher production costs for generic drugs. Teva also faces managing low morale resulting from [employee layoffs](#). Finally, it must deal with healthcare reform and insurance companies' growing emphasis on cutting costs.

Silo Summaries

1) Pharmaceutical Distributors

Only two of five sources were aware of Teva appointing a new CEO; however, four of five sources think a turnaround for Teva is six to 24 months off. Two sources view acquisitions as a likely strategy for Teva's recovery. Teva benefits from a strong reputation in the generic drug field; its proprietary products also are strong but are limited in number. Teva's Copaxone will face competition from a generic version later this year, and sources forecast a related 25% to 50% drop in the company's sales.

2) Industry Specialists

Three of these four sources think Teva can execute a turnaround in three months to two years; the remaining source was not aware of any Teva leadership or performance issues. All four sources expect Teva to face challenges when its Copaxone drug goes off patent because insurance companies favor lower-cost generics. Sources said Teva does have a strong portfolio of generic drugs and a solid reputation. It could turn itself around through additional patient services, new therapies, and an improved and increased sales force.

3) Pharma/Biotech Industry Consultants

Three of these five sources were fully aware of Teva's CEO change, while two had limited or no knowledge. The three informed sources were positive about the new CEO's ability to turn Teva around within 12 months. One source with limited knowledge was concerned about the CEO's lack of pharma experience; the other thought any turnaround would take at least two years. The three sources expressing optimistic views of Teva's prospects cited several examples of where the company could defend and expand its market. Copaxone will maintain its market share for at least the next six to 12 months, and the new stronger-dose version will help Teva to retain patients. Acquisitions, such as the upcoming purchase of NuPathe and its migraine patch, also will help.

4) Teva Competitors

These five sources had limited knowledge of Teva's new CEO, but said a turnaround for the company, if possible, would take up to two years. The company's turnaround options are to add stronger R&D for top generics, separate the proprietary and generics divisions, make more acquisitions, or sell its generics business. The new CEO will have to overcome morale problems and an anticipated decline in Copaxone sales in the second half of 2014 when it goes off patent.

	New CEO Can Turn Teva Around	Teva's Reputation
Pharmaceutical Distributors	↑	↑
Industry Specialists	↑	↑
Pharma/Biotech Consultants	↑	↑
Teva Competitors	→	→

Teva Pharmaceutical Industries Ltd.

Background

Following years of depressed share prices and a more recent management shakeup, Teva Pharmaceuticals is in the process of significant change. Former board member [Erez Vigodman](#) recently was appointed CEO and will take the helm during a period of uncertainty for the company's two main lines of business: generic and proprietary drugs. [The patent expiration](#) of the MS drug Copaxone, one of Teva's most profitable proprietary compounds, is imminent, while the company's generics business faces increasing competition and decreasing margins. [Teva's board of directors is split](#) between emphasizing specialty pharmaceuticals or rehabilitating the generics business, which the previous CEO favored.

In a recent conference call, management discussed a new focus on quality over quantity and an emphasis on "[high value, complex generics](#)" based on their higher margins. Teva, which traditionally has had lower margins than its competitors, also is working to [cut costs](#). This was exemplified by Blueshift Research's primary interview with a U.S. pharmaceutical sales representative, who said numerous former Teva sales reps are looking for work following the company downsizing.

Faced with similar concerns a year ago, [Abbott Laboratories](#) (ABT) opted to [divide its generic and research-based](#) divisions in order to drive growth, focus management efforts, and contain potential risks for shareholders. Its [AbbVie Inc.](#) (ABBV) performed admirably in 2013, gaining 50% since being spun off, while Abbott also had a good year. Still, several Teva board members have recommended a path more similar to Canada's [Valeant Pharmaceuticals International Inc.](#) (TSE:VRX/VRX), which responded to growth concerns by implementing an [aggressive acquisition strategy](#) in the research space.

Current Research

Blueshift Research assessed whether Teva's new CEO can execute a turnaround and restore the company's growth in both its proprietary and generic drug units. We employed our pattern mining approach to establish five independent silos, comprising 19 primary sources (including two repeat sources) and six relevant secondary sources focused on pharmaceutical industry:

- 1) Pharmaceutical distributors (5)
- 2) Industry specialists (4)
- 3) Pharma/biotech industry consultants (5)
- 4) Teva competitors (5)
- 5) Secondary sources (6)

Next Steps

Blueshift Research will monitor Teva's new CEO's initial efforts and the effects on the company's proprietary and generic drug units. We also will research Teva's cost-cutting efforts and their influence on margins and overall employee morale. We will assess the launch and adoption rate of the new Copaxone among existing and new MS patients. Finally, we will monitor the launch of generic Copaxone later this year and how it affects Teva.

Silos

1) Pharmaceutical Distributors

Only two of five sources were aware of Teva appointing a new CEO; however, four of five sources think a turnaround for Teva is six to 24 months off. Two sources view acquisitions as a likely strategy for Teva's recovery. Teva benefits from a strong reputation in the generic drug field; its proprietary products also are strong but are limited in number. Teva's Copaxone will face competition from a generic version later this year, and sources forecast a related 25% to 50% drop in the company's sales. Teva is expected to respond by offering coupons and discounts to patients. The MS population is unlikely to quickly switch to a generic unless forced by their insurance carriers. Teva's pipeline of respiratory drugs is expected to help the company offset lost Copaxone sales.

Teva Pharmaceutical Industries Ltd.

KEY SILO FINDINGS

New CEO/Company Reputation

- 2 of 5 were aware of Teva's appointment of a new CEO.
- 5 source said Teva is an industry leader in generics.

Proprietary (Specialty) Drug Sector

- Teva's proprietary offerings are of high quality, but its portfolio is limited.
- Teva's respiratory pipeline is expected to help offset Copaxone sales declines and to achieve [\\$550 million](#) in sales by 2018.

Generic Drug Sector

- Teva's generic drug portfolio is considered vast and of high quality.
- 2014 sales are expected to be flat to up 10% year to year.
- Copaxone will be pressured by competition within generics in 2014. Sources expect sales to drop 25% to 50% depending on the push from managed care and health insurance companies.

Miscellaneous

- 2 view acquisitions of both generic and proprietary pharma companies as an effective turnaround strategy.
- 1 stressed the importance of Teva addressing its high staff turnover.
- 1 said Teva needed to extend its marketing beyond the three to five large distributors and work with smaller companies.

1. Director of a pharmaceutical distributor

Teva's new CEO likely will make some positive moves in the next six months before challenges hit the company. The source gave high ratings for Teva's generic and proprietary divisions, and thinks Teva will do increase its acquisitions rather than split the company. Teva will be able to retain its Copaxone customer base with rebates, but it may lose as many as 50% of their patients if managed care toughens its stance and forces patients to use the less costly generic. Teva's generic sales will be flat in 2014 while its proprietary sales will depend on what occurs with Copaxone and the company's oral MS drug, which [failed to win backing](#) in Europe.

New CEO/Company Reputation

- "I've been keeping tabs through the news. Teva definitely needs a reorg. They just got turned down for their new MS drug although the opinion is it's just temporary. And with Copaxone going generic, that's going to take the wind out of their sails."
- "The new CEO has announced he's going to revamp the board; that's strong language, but if he was on their board, there may be broad support for that. As strong as they are, they have a lot of decisions to make."

Proprietary (Specialty) Drug Sector

- "They're a 9 [out of 10 in ranking for strength of proprietary drug offering] right now, and I think they'll stay in pretty good shape. But proprietary growth will depend on what happens with Copaxone. The other thing affecting them is the European Union just turning down the oral MS drug."
- "I know for sure Mylan is going to be a Copaxone alternative, and [maybe](#) Sandoz [owned by [Novartis AG/NVS](#)]. But Teva should have done their homework. If managed care continues to pay for the Copaxone brand and the copay is offset by [Teva] rebates, they'll maintain a large part of it. If managed care says, 'No way am I paying for the brand,' Teva will lose a portion; it may go to 50:50 or less. If they said they'll retain 75% [of the patients using Copaxone], they probably have a good idea they can do that. ... I bet Teva has already knows if they'll go for the authorized generic and how much they need to rebate. They're a powerful company that has some very smart people."
- "Things can get ugly with generics, but it depends on the mood of the players at the time. Teva is not known as aggressive. ... It's very fickle. I've seen two players where they can play well in the sandbox and others where they battle and the price really drops."

The new CEO has announced he's going to revamp the board; that's strong language, but if he was on their board, there may be broad support for that. As strong as they are, they have a lot of decisions to make.

Director, Pharmaceutical Distributor

Teva Pharmaceutical Industries Ltd.

- “They bought the NuPathe company, which goes along with neurology. I think you’ll see Teva doing a lot of acquisitions versus split their company.”

Generic Drug Sector

- “They had such a huge lead, they’re still very strong. Probably something like one of every five generic products is theirs while the other guys are one in 13 or so. They have such a good lead. If their pipeline dropped under the previous CEO, it will show up in the next 12 to 24 months. That would take them from a 10 down to a nine.”
- “Generics should be pretty flat in 2014. I don’t recall what 2013 was.”
- “I don’t know what they’re putting in the pipeline for generics. They slowed it down under the previous CEO. So if there’s not a lot in the hopper, they could split it off, but I would be surprised if they did. I think they might want to acquire something big to bolster their generics.”

Miscellaneous

- “I think you’ll see very positive things the first six months, but then other things will take time.”

2. Procurement manager for a mail order pharmacy

This source was aware that Teva has a new CEO and thinks that Vigodman and the company’s initiatives should be able to right the ship in a year or two. The source’s own sales of generic Teva drugs increased in 2013 because Teva raised its prices significantly. Teva could improve its generics division by working on employee retention.

New CEO/Company Reputation

- “I would think [Teva’s new CEO and initiatives] should be able to [turn things around] in a year or two.”

Proprietary (Specialty) Drug Sector

- “Patients are going to move to the generic [form of Copaxone] because it’s a much cheaper version. It always takes a little bit of time, but [for] most people, depending on what their drug plans offer, the prices will go down [for the generic].”

Generic Drug Sector

- “I can’t give you the percent [of increase in Teva generic sales here in 2013], but I can tell you that it increased because Teva took their prices up on a ton of drugs. Our spend is increasing with them because they took some major price increases—like fivefold on several items.”
- “We are in the process of doing an RFP, so [2014 sales projections] will depend on what comes back from the RFP.”
- “I’ve heard of a ton of turnover with employees in the people I deal with lately, so they are not holding onto their employees. I would think that would be something that would help them.”

Miscellaneous

- N/A

3. VP of sourcing for a small Teva distributor

The source was not familiar with Teva’s new leadership or its potential changes. The new CEO could turn the company around in 12 to 18 months if the correct initiatives are taken. The source’s Teva proprietary drug sales fell 5% to 10% in 2013 because the distributor emphasized generic products; proprietary sales for 2014 are expected to be flat. Copaxone is well received by his customers. Initially following the off-patent, Teva will not notice a decline in Copaxone sales. Teva’s generic drug sales were flat in 2013 because of heightened competition. Teva services the top three to five distributors, but ignores the smaller companies. It will need to offer similar pricing to large and small wholesalers alike to retain a hold on the generics market.

New CEO/Company Reputation

- “[My confidence in the new leadership on a scale of 1 to 10 is] maybe a 5. I’m not sure. I don’t know that much about the individual or his top priorities. I’ve read the press and I’ve talked to some folks at Teva, but not a lot of information was shared.”
- “The CEO can turn things around by using the correct initiatives, but it will take about 12 to 18 months.”

Proprietary (Specialty) Drug Sector

Teva Pharmaceutical Industries Ltd.

- “Our proprietary drug sales, including Teva’s, were down about 5% to 10% in 2013 because we focus more on generic products. We don’t focus on proprietary products because there is a lot of competition now and a lot of cost cutting. Overall, there is more emphasis on generic products, and it is very difficult for proprietary drugs to compete. We are a small company, and the larger companies have a better cost position.”
- “I would expect 2014 proprietary sales to be flat. I’m not sure what Teva has coming out; it is possible that may make a difference.”
- “Teva’s MS drug is well received; at least it is here. There’s something to be said for the Teva name. But honestly, I’m not sure what the patients will do. The drug will become ‘genericized’ in May, and then others can produce the same as the branded. I imagine it is possible that initial sales will stay the same for Teva; there may not be a big difference at first because of the generics need to prove itself and the [exclusivity period](#).”
- “Eventually patients go to generics. It depends on the state of their illness, on reimbursement levels, and on what your insurance will pay for. When a generic first comes out, there’s usually a high conversion from proprietary to generic.”
- “I believe Teva’s respiratory products will help, but I’m not sure to what extent.”
- “Teva’s [oral contraceptives](#) are out already, and Teva will come out with more in 2014. There are just a few players in the market, and I believe Teva is looking to expand in this area this year.”

Generic Drug Sector

- “I’d give Teva’s generic portfolio a 10 [out of 10] because they have a lot of products, but I’d give their generic marketing only a 7. They tend to focus only on the big three wholesalers: [McKesson \[Corp./MCK\]](#), [Walgreens \[Co./WAG\]](#) and [CVS \[Caremark Corp./CVS\]](#). [ABC \[AmerisourceBergen Corp.\]](#) and [Cardinal \[Health Inc./CAH\]](#) could be in the mix as well. We smaller wholesalers are just secondary space. This makes it difficult to compete with the larger distributors. It is hard for us to get the same lower pricing.”
- “Our Teva generic sales dropped almost 50% in 2013 because of the strong competitive nature of the generic business. There are more players who entered the market or who wanted to join. There are now more brands to choose from.”
- “Next year’s generic sales will grow. I have talked to Teva about how to make that happen, and we are working out some ideas. We have talked about picking up market share, but the proof will be in the pudding.”
- “The best thing that Teva can do is to spread themselves out a bit in terms of who they support. They need to have a more diverse strategy. People who have access to product pricing need to work with the smaller groups the same as they do with the larger guys. If they don’t do this, they will see more generic competition, and it will hurt them.”

Miscellaneous

- N/A

The CEO can turn things around by using the correct initiatives, but it will take about 12 to 18 months. ... The best thing that Teva can do is to spread themselves out a bit in terms of who they support. They need to have a more diverse strategy. People who have access to product pricing need to work with the smaller groups the same as they do with the larger guys. If they don’t do this, they will see more generic competition, and it will hurt them.

*VP of Sourcing
Small Teva Distributor*

4. Manager at a pharmaceutical distributor

The source was unaware that Teva had a new CEO but thinks more than a year will pass before the CEO and his initiatives turn the tide for the company. A pricing war will ensue once Copaxone becomes available in generic form and will push Teva to “compete by price.” Teva’s respiratory drugs in development will help sales and possibly could generate the projected \$550 million in sales by 2018.

New CEO/Company Reputation

- “I think it’s going to take more than a year for sure [for the new CEO and company initiatives to turn things around].”

Proprietary (Specialty) Drug Sector

- “[On a scale of 1 to 10, Teva’s proprietary drug sector] is a 2 [because] it has a limited number [of drugs] and the market for those that they have is minute compared to the total brand market.”

Teva Pharmaceutical Industries Ltd.

- “There is going to be a lot [fewer patients] than [Teva predicts who will stick with Copaxone. This will occur] by force [because] everything is price. The [PBMs](#) control everything. ... Teva is going to have to compete by price. And it’s going to be a war when it goes generic.”

Generic Drug Sector

- “[Teva’s generic drug sector is] a 9 [on a scale of 1 to 10 compared with its competitors] because they just have a tremendous product line. ... We do a lot of business with Teva. They have a very large, if not the largest generic product line, in the industry. We have a good relationship with them.”
- “[Teva generic sales] increased in 2013. ... I would think greater than 10% for sure. [For 2014] I think we are going to continue to increase; I would say by 10% approximately.”
- “The way things are going now [with Teva lagging behind its peers in operating margins will get worse] because of the cost of doing business and Obamacare. I think the cost of doing business is going to continue to increase. ... Everything is priced today, and [the PBMs and third parties] are squeezing the margins.”

Miscellaneous

- “You are going to see a lot of acquisitions. I think Teva will acquire more—both generic and proprietary [products].”

[Teva’s generic drug sector is] a 9 [on a scale of 1 to 10 compared with its competitors] because they just have a tremendous product line. ... They have a very large, if not the largest generic product line, in the industry.

Manager, Pharmaceutical Distributor

5. Executive in sales and marketing for a national specialty pharmacy

This source’s Copaxone sales increased 3% to 5% in 2013, reflecting “regular market fluctuations.” Sales could “rapidly drop,” however, if a generic version of Copaxone is widely accepted, but the source does not foresee that occurring in 2014. Teva’s respiratory drugs in development could achieve \$550 million in sales by 2018.

New CEO/Company Reputation

- “I wasn’t specifically [aware that TEVA has a new CEO]. I’d seen news reports but didn’t pay much attention to it.”

Proprietary (Specialty) Drug Sector

- “Because Copaxone is an injectable, it’s a subcutaneous medication, I think that moving to a generic form is not as easily accepted. ... You’ve had a number of manufacturers like Mylan, a competitor to Teva that announced back in 2012 that they were going to be coming out with a [generic](#). But I think a number of lawsuits from Teva kept that from happening. I think that because of the controversy that’s been going back and forth on this, a generic won’t be as readily and widely accepted right off the bat.”
- “In the beginning, I think the likelihood of Teva keeping 75% of its patients on Copaxone is likely. Over time, that will probably dwindle. And Teva would probably be smart ... to come up with alternative solutions in terms of therapies.”
- “Teva will probably do everything in its power to dish out additional rebates to the health plans and also dish out additional funds for copay programs for [Copaxone] patients. And Teva already has a very hefty copayment program—as do most manufacturers in this space—that is available only to patients who don’t have federally funded health insurance like Medicaid or Medicare.”
- “In 2013 [our sales of Copaxone] increased by just regular market fluctuations, and I would say probably about anywhere between 3% to 5%. ... We have been dispensing Copaxone for a number of years. And the only time you are going to see a major fluctuation is if [there are] a number of factors, but typically it is if 1) a product becomes generic or 2) the health plan makes a formulary change and says, ‘We are only going to prefer products A and B, and C, D, E and F are not formulary and cost more if you want to use them’ ... and also maybe a heavier concerted sales effort in the field by the manufacturer. So if Teva has doubled its sales force and

If Copaxone becomes generic and is widely accepted, then I could see us utilizing more of the generic and seeing [sales] rapidly drop. But based on the way things are going right now, I don’t see that happening this year. So for 2014, I would say [sales will] remain the same—maybe a growth of 3% to 5%. But in 2015, if things start changing in terms of [there] being a widely accepted generic, then I would say it would drastically drop.

*Sales & Marketing Executive
National Specialty Pharmacy*

Teva Pharmaceutical Industries Ltd.

focused it within the neurological space and is hitting more neurologists, then we might see an influx of Copaxone scrips. But typically we haven't seen any of that in the last year or two; that's why it's only been just the market fluctuation."

- "If Copaxone becomes generic and is widely accepted, then I could see us utilizing more of the generic and seeing [sales] rapidly drop. But based on the way things are going right now, I don't see that happening this year. So for 2014, I would say [sales will] remain the same—maybe a growth of 3% to 5%. But in 2015, if things start changing in terms of [there] being a widely accepted generic, then I would say it would drastically drop."
- "It's very likely [that the respiratory drugs Teva has in development could generate \$550 million by 2018]. If Teva is as big and successful as they have been, I think they are also very much aware of the fact that a manufacturer is only as good as its pipeline. ... You see this all across the board in different spaces, whether it be big pharma or little pharma. They realize that if they have a product going off-patent, they better jump on a different horse."

Generic Drug Sector

- "[On a scale of 1 to 10] I would say [Teva] is strong so an 8 just because of its focus within that space and its vast array of available products on the generic side."
- "[For 2013, our Teva generic sales] remained the same and [for 2014 are expected] to remain the same. As a specialty pharmacy, we typically don't dispense a lot of generics; those are found within the retail space."

Miscellaneous

- N/A

2) Industry Specialists

Three of these four sources think Teva can execute a turnaround in three months to two years; the remaining source was not aware of any Teva leadership or performance issues. All four sources expect Teva to face challenges when its Copaxone drug goes off patent because insurance companies favor lower-cost generics. Sources said Teva does have a strong portfolio of generic drugs and a solid reputation. It could turn itself around through additional patient services, new therapies, and an improved and increased sales force.

KEY SILO FINDINGS

New CEO/Company Reputation

- 3 of 4 think Teva's new CEO can execute a successful turnaround in 3 months to 2 years. 1 was not aware of Teva's leadership issues.
- Teva's reputation is strong in the generic drug category.
- 2 sources were split on Teva separating its generics and proprietary units.

Proprietary (Specialty) Drug Sector

- Copaxone is at risk of share losses, but the branded version still will carry some weight.
- Respiratory drugs in the pipeline have a chance at helping Teva.

Generic Drug Sector

- 3 acknowledge Teva's strong generic drug portfolio and reputation.

Miscellaneous

- Acquisitions of smaller companies would help Teva's turnaround.
- Growth through additional patient services, new therapeutics and sales force improvement was discussed.

1. Industry expert

This source sees advantages to Teva not splitting its generic and proprietary divisions. Pricing and Teva's negotiations with major payers will determine whether patients stick with Copaxone once a generic version is on the market.

New CEO/Company Reputation

- "I guess [if I were the CEO of Teva] I would not split [the generic and proprietary divisions], but there may be other reasons to do it that I don't know about."

Teva Pharmaceutical Industries Ltd.

- “If you look at some of the big manufacturers, they have been successful in working both sides of the brand and generics world. And I think Teva has a great reputation on the generics side of the business, and they have had some success on the brand side.”
- “I would think you’d want to manage both of those different types of cycles, especially with some of the opportunities in the biopharmaceutical space. You’d want to manage the brand and generics set of products because I think you might see some different cycles in terms of growth that occurs between the two businesses.”
- “I, from a manufacturing perspective, am a big advocate of the kind of ‘beyond the pill strategy.’ You have seen [Sanofi \[S.A./EPA:SAN/SNY\]](#) do a few things in terms of building a diabetes franchise, and you have seen a couple of the other CEOs out there talking about how they are thinking about what services or other things they can wrap around the drugs, because it’s harder and harder to differentiate around the drug itself. But if you can show that you can get a patient to a clinical outcome and that’s [with] some mix of services, technology and the actual pill or compound itself, that’s a great growth strategy.”

Proprietary (Specialty) Drug Sector

- “[Whether patients stick with Copaxone when the drug becomes generic] is really going to depend upon pricing and [Teva’s] ability to get formulary positioning. I think in the U.S. now so much is driven by CMS [Centers for Medicare and Medicaid Services] and by a couple of large payers—[Express Scripts](#), [United\[Health\]](#), things like that.”
- “I’d probably put it in the ‘maybe’ [category that Teva can achieve \$550 million in sales by 2018 from the respiratory drugs it has in development]. I would not say it’s highly likely; it seems like a big jump.”

Generic Drug Sector

- “I’d probably put [Teva’s generic drug sector] at 8 out of 10. I think they have a very strong portfolio and a strong reputation.”
- “I don’t know if I see [Teva’s lagging behind its peers with its operating margins] as highly likely to change. I think it’s certainly serious, but I am guessing they have made the tradeoff of going for some of the high volume contracts with some of the bigger players and trading margin in those circumstances.”

Miscellaneous

- “I’d say [the new CEO could turn Teva around in] two years. It’s a big enough company that you are not going to make a change in one year. So assuming [the CEO] has a decent burning platform, he should be able to bring in some leadership, get some excitement, and launch a couple of initiatives. If you stay focused on a couple of key goals, you should be able to get those things to happen in two years.”

Assuming [the CEO] has a decent burning platform, he should be able to bring in some leadership, get some excitement, and launch a couple of initiatives. If you stay focused on a couple of key goals, you should be able to get those things to happen in two years.

Industry Expert

2. Pharmacist, industry expert and former pharmaceutical company employee

The fact that Teva has lagged behind its peers in operating margins is “somewhat significant,” and something the company should address because this issue affects its ability to invest in its generic product line. Copaxone users may not want to switch to a generic form, which the source pointed out is not like using generic aspirin.

New CEO/Company Reputation

- “If they think there’s more value in splitting the [generic and proprietary drug divisions], I think they ought to consider it. There could be [more value]. Like with Abbott, the value of the two independent companies [Abbott and AbbVie] is much higher than the combined organization.”
- “I would say new therapeutic areas and sales force [are other potential areas of focus for Teva]. I’d also mention looking at smaller acquisitions to add to the portfolio.”

Proprietary (Specialty) Drug Sector

- “As an MS patient, if I could afford it, I’d probably continue with the branded version [of Copaxone once a generic is available]. ... There are certain types of products that you can take the generic, whether it be aspirin or Advil or something like that. But when you’re dealing with something that has to be titrated and you need to make sure the patient is on the right dosage and are being cared for with their MS drug, I don’t think people are going to want to mess around with that.”

- “If someone could convince like a medical review committee that [the generic] is comparable [to Copaxone], I could see where an insurance company might, to save a few bucks, say, ‘Mr. and Mrs. Smith, you need to be on the generic version of Copaxone because this is what is on our formulary.’ I would imagine that there are probably avenues [where] you could appeal that. ... Again, it’s not like taking aspirin.”

Generic Drug Sector

- “I’d give [Teva] a 9 [on a scale of 1 to 10 for the strength of its generic drug sector compared with its competitors] because, based on my experience, they have a robust portfolio of generic drugs.”
- “When you think of generics, a generics company, you think of Teva. I always have. There were a couple of other ones that were around back in the day, but Teva seems to have gained a lot of momentum.”
- “I would say it’s somewhat significant [that Teva has lagged behind its peers in operating margins]. And I’d say it’s going to need to change. ... If there is operating margin pressure, I would think that they are not going to be as inclined to increase their portfolio of generics—and I think that one of their strongest suits is their generic product line. So if there is OM [operating margin] pressure, they are not going to have money or resources available to invest.”

Miscellaneous

- “I’d probably say [expect a turnaround in] two [years]. They are never going to do it in the first year. You can’t get it done in a year—not in companies of that size.”

3. MS patient and coordinator of a large metro MS support group

Because of the cost of MS medications, patients will follow what insurance companies dictate, although a thrice-weekly Copaxone would be attractive to many Copaxone patients. The source has not encountered discussion about this issue within the support group, and said generics appear to be well accepted among patients.

New CEO/Company Reputation

- N/A

Proprietary (Specialty) Drug Sector

- “Honestly, I haven’t heard any discussion about Copaxone going off-patent among MS patients.”
- “There are nine drugs available to treat MS, and there’s a bunch of drugs for symptoms. [Pfizer Inc.’s/PFE] [Neurontin](#) is a common one for treating pain; I take the generic form. I don’t think anyone cares that a drug becomes generic.”
- “The answer about the cost question has to do with the insurance company. If the insurance company says they’ll only pay for the generic, then patients will take the generic.”
- “[Regarding Teva’s upcoming thrice-weekly Copaxone] whenever a med is easier to take, that’s a bonus and that will be attractive to a lot of people. But what will the cost be? [Bayer AG’s/ETR:BAYN/BAYRY] [Betaseron](#) and [Biogen Idec Inc.’s/BIIB] [Rebif](#) now have a three-times-weekly option, and I think many MS patients prefer to not take a drug daily. I took Copaxone for three years, and it would be easier for me to take a daily than try to think if it’s been two or three days since I took it—but that’s me.”
- “These drugs are all so expensive that people won’t pay for them themselves. If there’s a less expensive drug [Medicare wants] patients to take that they think is equivalent, patients will do what their insurance company wants.”

Generic Drug Sector

- N/A

Miscellaneous

- N/A

4. Pharmacy director of a large regional health plan

This source was unaware of Teva’s new CEO and thinks generics is a strong and growing sector. The loss of the Copaxone patent is significant. If the generic version’s price is significantly different, health plans will make MS patients switch.

New CEO/Company Reputation

Teva Pharmaceutical Industries Ltd.

- “The new CEO they hired is not something we keep track of. There are so many layers that we don’t deal with the company’s management.”
- “I see just the opposite of getting out of generics; we’ve seen others like Novartis get into them. The generics business is certainly growing, representing 80% of the market. The money is in specialties, but generics are still strong.”

Proprietary (Specialty) Drug Sector

- “Their proprietary sector is very solid and good. They have [subsidiary Cephalon’s] [Nuvigil](#) and drugs in respiratory and CNS [central nervous system].”
- “Plans could stop [use of Teva’s Copaxone] by not having it on the formulary, and in some plans you automatically get switched if it’s an equivalent generic. If there’s a price differential, health plans will do everything they can.”
- “Three-fourths [of patients sticking with Copaxone] is obviously what they want. But many plans will make changes; some even require the patient to try and fail the generic before they get the brand. Certainly, the generic Copaxone will hurt them, but can they beef up the rest of their portfolio? The acquisition of Cephalon got them some good medications.”
- “Their new [oral] MS drug will get approved here in the U.S though it has some tolerability issues.”
- “Three times a week is better than daily and will be more convenient if patients are offered that. But from a plan perspective, a once-daily generic could be a significant driver.”

“Their new [oral] MS drug will get approved here in the U.S though it has some tolerability issues.”

*Pharmacy Director
Large Regional Health Plan*

Generic Drug Sector

- “I think their generic sector is strong.”

Miscellaneous

- “It depends on the company [in how long before it can turn itself around]. With some large mergers, changes happened within three months. If they start sweeping people out the door, things can happen quickly.”

3) Pharma/Biotech Industry Consultants

Three of these five sources were fully aware of Teva’s CEO change, while two had limited or no knowledge. The three informed sources were positive about the new CEO’s ability to turn Teva around within 12 months. One source with limited knowledge was concerned about the CEO’s lack of pharma experience; the other thought any turnaround would take at least two years. The three sources expressing optimistic views of Teva’s prospects cited several examples of where the company could defend and expand its market. Copaxone will maintain its market share for at least the next six to 12 months, and the new stronger-dose version will help Teva to retain patients. Acquisitions, such as the upcoming purchase of NuPathe and its migraine patch, also will help. The two sources with doubts discussed the expected loss of branded Copaxone sales and Teva’s higher pricing for generics. Poor employee morale also will challenge Teva’s new CEO.

KEY SILO FINDINGS

New CEO/Company Reputation

- 3 sources had positive remarks about the new Teva CEO’s ability to engineer a turnaround.
- 4 sources acknowledged Teva as a strong generic drug provider. 1 source praised the company’s [biosimilar](#) efforts.
- 1 source questioned the new CEO’s lack of pharma experience.

Proprietary (Specialty) Drug Sector

- 2 sources expect Copaxone to maintain market share for a while. The new higher-dose version may help Teva retain patients.

Generic Drug Sector

- 3 sources acknowledge Teva’s strong generic offering.
- 2 sources discussed Teva’s higher generic prices compared with the competition.
- 1 source said Teva’s acquisition of new generic opportunities would drive growth.

Miscellaneous

- N/A

Teva Pharmaceutical Industries Ltd.

1. CEO of a pharmaceutical consulting company; repeat source

This source thinks Teva's move into biosimilars is a very brave and positive move, and he already rates the company highly in the proprietary drug sector. He believes close to two years will pass before Teva can turn itself around, and said the numerous sales staff layoffs affected morale.

New CEO/Company Reputation

- "There's been a drastic decrease in sales staff; I think they cut the U.S. force by one-half. They were here today looking for help [with one of their new programs]. We didn't discuss their new CEO."
- "I don't know of their other initiatives, but I think they're making a really good decision in having more biosimilars come out. I think the company is going in a great direction by going into biosimilars. It takes a lot of gumption to go into that. You're not making a generic but an injectable that is very potent and treating strong diseases."

Proprietary (Specialty) Drug Sector

- "I would give [Teva's proprietary drug sector] an 8 [out of 10]. In rating them as an entrepreneurial company, I think they will do very well with their biosimilars and proprietary drugs."
- "It is not very likely that someone will change [to the thrice-weekly Copaxone]. I do not believe any managed care plan would make this suggestion. However, they may make the new product a first choice for newly diagnosed patients."

Generic Drug Sector

- "I don't know about their generics."

Miscellaneous

- "It could take up to a good two years, depending on the mess [the CEO has] inherited. I'm doing something similar in our company. With a very tight plan, it will take a year, but it will take a couple years with [Teva's] size."

I think they're making a really good decision in having more biosimilars come out. ... It takes a lot of gumption to go into that. You're not making a generic but an injectable that is very potent and treating strong diseases.

CEO
Pharmaceutical Consulting Company

2. Biotechnology consultant

The source said the odds are good that the new Teva CEO can rein in the company's costs within the year, as planned. If successful, this tactic should help Teva make up for some of the income it will lose when a generic Copaxone enters the market. A generic glatiramer acetate (Copaxone) likely will make its market debut within the next six to 12 months.

New CEO/Company Reputation

- "There is a good chance that [the new CEO] Vigodman can achieve his goal to reduce costs within the year, which should offset some of the potential revenue loss from generic Copaxone market entry. However, growth is critically related to the success of its recent and future acquisition strategy, as well as that of those [New Therapeutic Entities](#) in the pipeline."

Proprietary (Specialty) Drug Sector

- "Given the recent [decision](#) of the U.S. Federal Circuit Court of Appeals to invalidate Teva patents asserted against Momenta [Pharmaceuticals Inc./MNTA], it is likely that we could see generic glatiramer acetate entering the MS market space within the next six to 12 months. As such, pricing pressures and erosion of market share could significantly impact Teva's profits. Given the commoditization of this space, I find it unlikely that 75% of Teva's Copaxone customer base will be retained. However, if Teva is successful in acquiring an [sNDA](#) for the high-dosing/lower-injection frequency, then the company may mitigate some of its future customer losses."

There is a good chance that [the new CEO] Vigodman can achieve his goal to reduce costs within the year, which should offset some of the potential revenue loss from generic Copaxone market entry. However, growth is critically related to the success of its recent and future acquisition strategy, as well as that of those New Therapeutic Entities in the pipeline.

Biotechnology Consultant

Teva Pharmaceutical Industries Ltd.

- “The MS space is constantly evolving with New Therapeutic Entities and treatment approaches. ... There are far greater treatment options than ever before, including a growing number of disease modifying biologics. It is reshaping the way the disease is being treated, so I think there is some migration away from some of the old treatment methodologies.”
- “This patient population is highly educated and well informed, which results in rapid switching to new treatment modalities and a bit of flux. If a better thing comes along, it could result in rapid migration from other treatments, such as Copaxone.”
- “[Teva’s market share for Copaxone] is safe for six months to one year, but beyond that it’s unclear.”
- “The respiratory space is currently a horse race. There is a great number of players, all with promising candidates for asthma and [COPD](#). It’s hard to know who will cross the finish line first, but even if Teva manages to succeed with one of their candidates, which is likely, it will greatly improve their bottom line.”

Generic Drug Sector

- N/A

Miscellaneous

- “Teva isn’t just sitting back with what they have in terms of generics, but [they] are actively acquiring new opportunities. And it is these smart acquisitions that is going to drive potential future growth.”

3. President and CEO of pharmaceutical consulting service; repeat source

The new CEO may do well if he has the support of the board. Although Vigodman lacks pharmaceutical experience, he is an Israeli, which is good for Teva. Acquisitions should be high on Teva’s agenda, and biosimilars would be a good area to pursue. The source gives Teva a 7 out of 10 for its proprietary drugs and believes patients will stick with Copaxone. He ranks Teva only a 7 out of 10 for its generic drugs because [Actavis PLC](#) (ACT) is now the bigger player.

New CEO/Company Reputation

- “Vigodman is not a pharma exec, which is not good, but he is Israeli, which for Teva is good. If he has the support of [Chairman of the Board Phillip] Frost and the rest of the board, then he may be able to do OK.”
- “I would think that acquisitions would be high on the agenda.”

Proprietary (Specialty) Drug Sector

- “It is very likely [that patients will stick with Copaxone].”

Generic Drug Sector

- “I’d rate it a 7 [out of 10] because Actavis is now the bigger player.”
- “Biosimilars opportunities would be good to pursue.”

Miscellaneous

- N/A

I would think that acquisitions would be high on the agenda.

President & CEO
Pharmaceutical Consulting Service

4. President and CEO of a pharmaceutical consulting service

The new CEO has the skills to turn Teva around, although the timing will depend on his decisions. The former CEO wanted to concentrate on proprietary drugs, but this would have been a mistake. Teva was built on generics, and the company is not equipped to do R&D like other brand-drug companies. The company is unlikely to spin off its generic and proprietary businesses. Although losing the Copaxone patent is an issue, little competition will be available in the near future, and patients will stick with the Teva drug. Teva also will continue to make money on its injectables and the recently acquired NuPathe patch for migraines. Morale at the company is very low, but the stock has climbed 15% in the past two weeks.

New CEO/Company Reputation

- “I’d give [Teva’s new leadership] a 7 [out of 10]. The new CEO is not from pharma, but he has the skills to unravel the companies in trouble. It also helps that he is an Israeli. The last CEO was a non-Israeli, and it didn’t work at all. The company has always been tightly run, in a close manner. Having a non-Israeli really was a mistake.”
- “The new CEO has been on the board since 2009, for three or four years, and they have a lot of respect for him.”

Teva Pharmaceutical Industries Ltd.

- “They’re not likely to split off the generic and proprietary businesses. The company is built on generics. But there is a problem because the one brand, Copaxone, will lose patent soon, and the company has nothing to replace it with.”
- “Teva is not closing its generic division; it is merely closing the first plant it bought in the United States. That is a mistake, but they can change their mind before it closes in 2017 because it takes two years to transfer out products.”
- “Teva has plants in Eastern Europe, and the goal is to move a high-volume to Eastern Europe or India. They can outsource more than they make, but it will all depend on the quality. Most generics aren’t outsourced as much because it is cheaper to make them in the United States.”
- “Morale at the company is terrible. It is really painful being around Teva and watching what is going on.”

Proprietary (Specialty) Drug Sector

- “Proprietary drugs are not what Teva does. They don’t know how to develop drugs, and they don’t have a group to do this. They only have a handful of products, and they can’t be compared to the other companies. This was going to be the tactics of the old CEO that they got rid of.”
- “Patients will stick with Copaxone. Just look around at the options they have. Someone else makes that, and it isn’t performing well. The newest competition, Sanofi’s [Lemtrada](#), was just turned by the FDA. It takes five years to market, so the patients will stick with Teva. There is also a [new formulary](#) as a tablet, which is now being sold in parts of Europe. It is much easier to take.”
- “Teva bought a good product today, [NuPathe’s] patch for migraines, and the stock went up 2%. They can make up the loss if they buy more products. They need to buy products or companies. It all depends on how smart they are and what they buy.”
- “I’m not sure if the respiratory drugs will help them, but that is part of the business plan. They are not developing respiratory drugs; they are just copying someone else’s drug. To do this, they must be within 10% of the brand-active ingredients. As far as research and development goes for generics, they are starting over with a new group; a lot of people are new to the company.”
- “Whatever Teva buys, it doesn’t really matter. They need to follow a good direction.”
- “There’s a big push to get into transdermal patches; they are very profitable with the right drugs. You can always make a lot of money in the sterile business in the United States, if you have the right folks running it. Steriles are prefilled injectable syringes, like Copaxone. Injectables are easier to develop than tablets; the tablets take a lot longer. Injectables are the fastest way to market.”

Generic Drug Sector

- “Teva’s generics sector is just like all the others. Comparing Teva’s generics to the competition, I give it an 8 on a scale of 10. It’s a matter of how cheaply they can make the drugs. A copy is a copy is a copy. But the newer drugs are more complicated to make, and it will be more difficult to make generics in the future.”
- “[Teva’s] generic sales were down 5% in 2013. I blame the way they reorganized the company and how they desensitized people. They worked hard at making people unhappy.”
- “I expect generic sales will be up in 2014, as the dust settles.”
- “Their operating margin is probably lagging. They did a terrible job at buying too many facilities in South America, and they did a poor job of integrating the facilities. They also paid too much for their companies. ... They did a terrible job of due diligence. They only had a few plants in the United States, and most products are made in India by contract manufacturers. They felt they could make the generics cheaper overseas, but that is not usually the case.”
- “They are not improving in the generics sector, but they will need to do this.”

Miscellaneous

- “The company’s stock has gone up 15% in the last two weeks. Just today it went up 2%.”
- “How quickly will they make money? It is a function of how quickly they get rid of destructive people who have been in place the last one and a half years. The people who were in place the last couple years didn’t know what they were doing. They didn’t know anything about generics, they had no background in it, and they were mostly from the United States. Right now they are chopping heads at the wrong end. They need to bring all sorts of folks in that know the business.”

I’d give [Teva’s new leadership] a 7 [out of 10]. The new CEO is not from pharma, but he has the skills to unravel the companies in trouble. It also helps that he is an Israeli. The last CEO was a non-Israeli, and it didn’t work at all.

*President & CEO
Pharmaceutical Consulting Service*

Teva Pharmaceutical Industries Ltd.

5. Generics manager of a pharmacy service company

Teva's generics pricing is higher than competitors, and the company will lose market share unless it offers more competitive pricing as insurance companies and regulations add to the pressure. The source was aware of Teva's CEO changes but was unaware that a new leader had been chosen.

New CEO/Company Reputation

- "I knew they were hiring a new CEO but didn't know they did. Having a CEO without major pharma experience could go either way, couldn't it?"
- "In generics, I would give Teva a 6 to 7 rating. Proprietary, I'm not sure."

Proprietary (Specialty) Drug Sector

- "For Copaxone it depends on whether they're going to be an authorized generic. If that's the case, kudos to them because they'll hold on for a while. If not, once they lose it, it's over within 60 days. They're losing a big drug. Once gone, that's hard to make up. You have to have a new big drug to replace that."
- "I've heard they're going to have a presence in respiratory, but I haven't seen anything."

Generic Drug Sector

- "Teva has a strong name; it's the preferred generic for a lot of things. But it's often pricier. I think they lost ground or could lose ground because of premium pricing. They haven't been as competitive as other brands. It's not like a car name. Pharmacists won't say, 'But this is Teva.' There's a lot going on with reimbursements and payments, and generics are seen as a commodity."
- "Generics are definitely growing; the percentage of generics is going up. ... And insurance companies are definitely getting tighter on generics. Except for the manufacturer, everyone makes more money or saves money with generics."
- "I help pharmacies decide what to buy, how much to buy and help them buy better and smarter. I definitely encourage them to go with a cheaper generic. Patients don't know one generic versus another."

Miscellaneous

- "This year will be more competitive because of insurance companies and government regs. People will have no choice but to make money decisions. If Teva continues to have higher prices, they'll lose even more in 2014."

Teva has a strong name; it's the preferred generic for a lot of things. But it's often pricier. I think they lost ground or could lose ground because of premium pricing. They haven't been as competitive as other brands. It's not like a car name. Pharmacists won't say, 'But this is Teva.'

*Generics Manager
Pharmacy Service Company*

4) Teva Competitors

These five sources had limited knowledge of Teva's new CEO, but said a turnaround for the company, if possible, would take up to two years. The company's turnaround options are to add stronger R&D for top generics, separate the proprietary and generics divisions, make more acquisitions, or sell its generics business. The new CEO will have to overcome morale problems and an anticipated decline in Copaxone sales in the second half of 2014 when it goes off patent. In addition, sources said Teva is not a strong competitor in the proprietary category because of its limited offerings. Also, it has been studying respiratory drugs for some time but has made little progress. On the generics side, the company is losing its edge and the loyalty of its customers because of its high prices and limited number of pipeline treatments. Two sources said generics are no longer a top priority for Teva.

KEY SILO FINDINGS

New CEO/Company Reputation

- 3 of 5 had limited knowledge of Teva's new CEO.
- 5 said any turnaround effort would take as long as 2 years.
- 5 acknowledged employee morale problems.

Proprietary (Specialty) Drug Sector

Teva Pharmaceutical Industries Ltd.

- Teva has a limited proprietary drug portfolio.
- Copaxone is a valuable drug, but sales will decline in 2H2014 when it goes off patent.
- Respiratory drugs have been in the pipeline for a long time and are not a priority for Teva.

Generic Drug Sector

- 3 sources said Teva is a strong generic drug company. 1 said Teva has declined somewhat, and 1 said Teva's high prices will present a challenge.
- 2 believe generics are not a priority for Teva, with 1 saying the company is abandoning the business.

Miscellaneous

- Turnaround suggestions for Teva include stronger R&D, splitting its divisions, acquisitions, and selling its generics business before it loses any more value.

1. Manager for a Teva competitor

The new leadership will face difficulty in gaining footing and will need several years to turn Teva around. Teva's products are aging and not gracefully; future sales will decline when Copaxone loses its patent. The source said Teva may split off the generic and proprietary drug divisions based on a declining stock value and greater competition in MS products. The new CEO will need to address the changing landscape, invest in innovative products, and develop R&D. Employee layoffs were targeted at the United States, particularly the sales team, which was bad for morale.

New CEO/Company Reputation

- "I'd give Teva a 5 [out of 10 in terms of confidence in its new CEO]. It will be very difficult for the new leadership to gain footing. With Teva's flagship product for MS losing its patent, they will face significant competition. Any changes they make will affect a future decline in sales."
- "It is fairly likely that Teva will split off the generic and proprietary drug divisions. I anticipate that there will be some split that occurs. Given the further decline in Teva's stock price and the competition in MS products, the company would have to do this."
- "The new leadership will need to acknowledge the changing landscape of MS and demonstrate this by addressing the issue. He will need to add research and provide efficacious products."
- "There is a general consensus in the field that layoffs are a concern. The previous CEO was looking to include global employees in the layoff. But the board wanted to focus on the United States, which they feel is where the issue lays. U.S. employees felt targeted, at least the sales team."

I'd give Teva a 5 [out of 10 in terms of confidence in its new CEO]. It will be very difficult for the new leadership to gain footing. With Teva's flagship product for MS losing its patent, they will face significant competition. Any changes they make will affect a future decline in sales.

Manager, Teva Competitor

Proprietary (Specialty) Drug Sector

- N/A

Generic Drug Sector

- N/A

Miscellaneous

- "It will take a number of years to turn the company around."

2. VP of regulatory affairs for a generic pharmaceutical company and a former Teva employee

This source is not confident that Teva's new leadership can turn the company around. 2013 Copaxone sales increased year to year only because of price increases. The drug's sales will grow further in the beginning of 2014, but competition will cut into sales the last half of the year. Third-party payers will not pay for a more expensive drug if a generic equivalent is available. Teva is abandoning the generic drug business, and it should sell this side of its business before it loses value. It also needs to value long-term, knowledgeable employees and acquire small companies and products.

New CEO/Company Reputation

- "Teva has outgrown its former core business of generic drugs, yet there is no reason to believe they will succeed in developing and marketing innovative presentations of existing drugs."

Teva Pharmaceutical Industries Ltd.

- “It is very likely [that Teva will split its generics and proprietary businesses]. Teva has essentially abandoned the generic drug business and needs to sell it off before it loses most of its value.”
- “Teva needs to make small company acquisitions and product acquisitions.”
- “The announcement to eliminate positions in Israel was disastrous and threatened the long history of tax breaks as a ‘favorite son’ of Israel. Teva has a recent history of letting go of long-term employees who are responsible for its success, and replacing them with younger and lower-cost staff who are less capable.”

Proprietary (Specialty) Drug Sector

- “[Teva’s proprietary drug sector compared with its competitors] is a 5 [out of 10]. Their cash cow Copaxone will likely go generic in 2014, and Teva has absolutely nothing of comparable value to replace it. Their other proprietary drugs are not nearly as profitable.”
- “I don’t know [about 2013 proprietary sales]. We don’t purchase drug products from Teva, and I do not follow their financials.”
- “Teva’s Copaxone sales increases for the past several years have been due to price increases.”
- “The first half 2014 might be positive with cost cuts and possibly yet another Copaxone price increase. The second half of 2014 will have a significant downside [because of competition from generics].”
- “It is not likely [that patients will stick with Copaxone]. According to colleagues in sales and marketing, third-party payers will not pay a premium for a brand product with convenience factors relative to a lower-cost generic [product].”
- “There are several oral MS treatments already approved in the U.S. Teva’s product will face significant established competition.”

Generic Drug Sector

- “I was informed recently by a former colleague that Teva has drastically cut back its development of new generic drugs. Ultimately, without a generic pipeline, their generic portfolio will become commoditized and unprofitable.”
- “When I was with Teva USA, and they were growing organically, much of Teva’s appeal was that we had a full line of generics, including commodities. But we also led the generic industry in first generics [patent challenges] and usually launched on Day 1 or Day 181 [if a competitor had generic exclusivity]. At that time wholesalers and drug chains were motivated to be loyal Teva customers so as not to miss out on big generic launches. In recent years I am told that Teva has greatly scaled back on generics development, so that the Day 1 launches are no longer as much of a factor. In addition, with the huge inroads made by lower-cost Indian producers, Teva is not competitive on commodities either.”
- “Teva cannot survive with standard generics. They are too large and Western.”
- “They should sell [the generics division] to a competitor who actually wants to be in the generic industry.”

Miscellaneous

- “I don’t believe Teva will achieve significant growth. I don’t believe Teva will turn around. The best possible outcome would be to shrink drastically and become a developer or marketer of convenience dosage forms to be promoted as brands to physicians.”
- “All in all, if I was a securities analyst, I would rate Teva a ‘strong sell.’”

The announcement to eliminate positions in Israel was disastrous and threatened the long history of tax breaks as a ‘favorite son’ of Israel. Teva has a recent history of letting go of long-term employees who are responsible for its success, and replacing them with younger and lower-cost staff who are less capable.

*VP of Regulatory Affairs
Generic Pharmaceutical Company &
Former Teva Employee*

3. Sales rep for a large pharmaceutical firm and a former Teva employee

The source was not aware of the CEO change. Turning the company around may take time, depending on what leadership ultimately does. If Teva’s generics and proprietary businesses were to split, it would be a big change that would take some time to accomplish. A generic equivalent of Copaxone could cause a problem for Teva. However, right now no other alternatives are on the market, and patients may be leery of changing to a generic version. Teva’s products are generally priced higher than competitive products, but this may make it harder for the company to compete in the generic market. Teva has studied respiratory products for years, with little headway.

New CEO/Company Reputation

- “I didn’t know they were getting a new CEO, and I’m not sure what he is capable of doing.”

Teva Pharmaceutical Industries Ltd.

- “I don’t know if they will break off the two businesses. Teva has been a big generic company but a very small branded company. A change like that would take awhile.”
- “I believe they are starting to sell off some plants, and they’re taking some generic products overseas.”
- “I have heard that Teva has had a morale problem.”
- “It takes years and years of research and development to develop drugs. I’m not sure how Teva can turn things around quickly. They’ve already swallowed up companies here in the United States.”

Proprietary (Specialty) Drug Sector

- “Teva has a very small branded business. It is hard to compare them to the other drug companies.”
- “Copaxone is one of Teva’s biggest drugs. Having that drug lose patent may cause some problems. Teva has a very small branded sales force selling this drug, and they are making a boatload of money on it. However, from what I hear, there’s nothing else on the market to replace it.”
- “There’s a push now for generic drugs, but I imagine the patients will be cautious when changing from a drug that works for them.”
- “Teva has always been studying respiratory products. When I was there that was my concentration. But they were never doing anything with it, and I was bored. That is why I left.”
- “I heard that Teva’s [ProAir \[HFA\]](#) is no longer on the Medicaid formula. It has been on the formula for years, and now it is no longer there. Why? I assume they don’t want to fight the battle to keep it on. It is not a big moneymaker on Medicaid, but it helps Teva get on the commercial formularies.”

Generic Drug Sector

- “Teva has always concentrated on generics first, but I do not know how their sales are.”
- “Teva has always had higher prices, and this is how they make some of their money. As a result, they may have a hard time competing with other generics companies.”
- “Possibly they need to focus on generics and dump everything else.”

Miscellaneous

- “I don’t have an answer for how fast they can turn things around or even if they can. It depends on what they do, what offices they decide to close, the type of serious effort they take.”

Teva has always been studying respiratory products. When I was there that was my concentration. But they were never doing anything with it, and I was bored. That is why I left.

*Sales Rep, Large Pharmaceutical Firm
& Former Teva Employee*

4. Respiratory sales specialist for a generics competitor

This source was unsure how the new CEO would change Teva, and any initiatives would need at least one or two years to turn the company around. Teva is not considered a proprietary drug company but always has been very strong in generics. However, she does not consider Teva a formidable competitor. In the past, patients with a serious illness could stay on the drugs that were working for them. Now the emphasis is on generic drugs, and patients may be forced to switch to these less expensive alternatives.

New CEO/Company Reputation

- “I don’t know much about the new CEO, and I don’t know what his plans are. I just know that they are getting a new one, and he is Israeli.”
- “Teva is considered a very insular and closed-off company. They do not communicate well with outsiders. I hear that morale is not good.”

Proprietary (Specialty) Drug Sector

- “Teva only has a few proprietary drugs compared to the many other companies that have dozens of proprietary drugs.”
- “In the past, patients with a serious illness would stay with the drugs that worked for them. But in the new climate there is more emphasis on the cheaper, generic drugs. It is possible that patients with multiple sclerosis may be forced to switch over even if they don’t want to. This could cut into Teva’s Copaxone sales.”
- “I work with respiratory drugs, and I do not consider Teva a strong competitor.”

Generic Drug Sector

It is a strong generic company, and I would give it an 8 [out of 10]. At one point in the past I would have given it a 10, but it seems like the company is struggling.

*Respiratory Sales Specialist
Generics Competitor*

Teva Pharmaceutical Industries Ltd.

- “It is a strong generic company, and I would give it an 8 [out of 10]. At one point in the past I would have given it a 10, but it seems like the company is struggling.”
- “I imagine that its generic sales are pretty strong, but I don’t have any figures to back that up.”

Miscellaneous

- “It would take at least a year or two to turn the company around.”

5. Scientific administrator for a competitor and a former Teva employee

This source knows very little about Teva’s new CEO and could not comment on Vigodman’s ability or when changes may occur. Teva is in need of leadership with visibility and the ability to unify the company. In the fall 2013, Teva [announced](#) that it would eliminate its U.S. generics manufacturing by 2017 and instead would emphasize the biologics segment, including MS, oncology and respiratory pharmaceuticals. However, the company’s past focus on respiratory drugs has made little headway.

New CEO/Company Reputation

- “I know there will be a new CEO, but I know nothing about him except what is in the news. I can’t really say how he will do. I know that the previous CEO had to step down; it had to do with the [board of trustees](#).”
- “The company needs leadership that is visible. Right now, there is not a lot of visibility to what is going on. There was never a Teva as a whole, there was only the generics segment.”
- “I used to work at the Teva generics branch, and it wasn’t doing well at the time. In the fall 2013, just a few months ago, [Teva administration] told us they were shutting the [U.S.] branch in 2017, so I ran out the door very quickly.”
- “[Administration] told us that the generics side was out; they would be focusing on biologics, MS drugs, oncology, respiratory. The plan was to grow this segment.”
- “Job layoffs are always hard on morale. It is a difficult situation.”

The company needs leadership that is visible. Right now, there is not a lot of visibility to what is going on. There was never a Teva as a whole, there was only the generics segment.

Scientific Administrator, Competitor & Former Teva Employee

Proprietary (Specialty) Drug Sector

- “Working in the lab, we don’t get a feel for how sales are going.”
- “Respiratory drugs have been in development at Teva for years. It doesn’t seem to be going anywhere.”

Generic Drug Sector

- “The generic sector is no longer a top priority [in the [United States](#)].”

Miscellaneous

- N/A

Secondary Sources

The following six secondary sources discussed Teva landing new drug patents for Copaxone; Teva’s partnership with [MDxHealth](#) (EBR:MDXH) to commercialize a prostate cancer drug; its acquisition of NuPathe; its sale of 31 generic drugs to [ANI Pharmaceuticals S.A.](#) (ANIP); its new generic treatment for overactive bladders; and its agreement with Pfizer to launch a generic Viagra.

TEVA’S NEW DRUGS AND ACQUISITIONS

The following three sources centered on the FDA finally approving Teva’s longer-acting version of Copaxone, Teva’s partnership with MDxHealth to commercialize its prostate cancer drug, and Teva’s acquisition of NuPathe and its unique Zecuity migraine patch.

Teva Pharmaceutical Industries Ltd.

Jan. 28 FiercePharma [article](#)

The FDA approved Teva's new longer-acting Copaxone following the treatment's setback in the United Kingdom. The original drug brought in \$3 billion during 2012 in the United States alone, and the longer-acting drug is predicted to convert 45% of current Copaxone patients.

- "Teva Pharmaceutical Industries hit the finish line in its long race to develop a longer-acting formulation of its multiple sclerosis treatment Copaxone. Tuesday evening, Teva said the FDA had approved the three-times-weekly formula, and not a moment too soon. The Israel-based drugmaker now has till mid-May to convert as many patients as possible to the latest and greatest version, before the original drug's patent expires."
- "Teva executives predict that 45% of current Copaxone patients will convert to the long-acting formulation. It needs as many conversions as it can get; the original is Teva's biggest seller, with about 20% of its revenue and 50% of its profits. In 2012, the drug brought in \$3 billion in the U.S. alone."
- "There's no word yet on pricing for the longer-acting dose."
- "We'll leave that number crunching to the analysts; their consensus estimates are for \$4.2 billion in global Copaxone sales for 2013."
- "Suffice it to say that Teva should be thrilled if its conversions keep ahead of generic erosion once copycat rivals hit the market. With patent protection till 2030 on this model, it could pay off for many years to come. But that's not a given; new formula or old, Copaxone does face competition from other brands, including the Novartis pill Gilenya, Sanofi's Aubagio, and Biogen Idec's new-and-hot Tecfidera."
- "The new formula is shipping immediately and will be available to patients 'within days,' the company said in a statement. Teva has staffed up at its patient support center—Shared Solutions—to help current patients move to the thrice-weekly formulation."

Jan. 29 FierceDiagnostics [article](#)

Teva is partnering with MDxHealth to commercialize the latter's [ConfirmMDx prostate cancer drug](#) and [PredictMDx](#) test for [glioblastoma](#).

- "Belgium's MDxHealth has partnered with generics maker Teva Pharmaceuticals to commercialize its ConfirmMDx for prostate cancer and PredictMDx for glioblastoma tests in Israel."
- "'This partnership with Teva means that these important tests will now become available to cancer patients in Israel, our second market after the U.S.,' said Dr. Jan Groen, CEO of MDxHealth, in a statement. 'We are delighted that Teva has agreed to invest its significant commercialization resources into our unique cancer products, expanding access to a new and diverse patient population.'"
- "Under the terms of the agreement, Teva Pharmaceutical Industries will be the exclusive distributor of both tests in Israel for a three-year period. Teva will reimburse MDxHealth for all testing services, which will be processed at MDxHealth's laboratory in Irvine, CA. Financial terms of the deal were not disclosed."
- "The diagnostics company's ConfirmMDx is an epigenetic assay to help doctors rule out prostate cancer-free men from undergoing unnecessary repeat biopsies and detect high-risk patients who may require repeat biopsies and potential treatment. The PredictMDx test is used to identify glioma patients who have methylation of the MGMT gene. In clinical studies, these patients have shown the potential to respond better to certain chemotherapeutic drugs."
- "Last year, the company touted new studies on its ConfirmMDx test, which reaffirmed the test's usefulness in providing more personalized—and accurate—prostate cancer diagnosis when an initial biopsy comes back negative."

Jan. 21 Reuters [article](#)

Teva is acquiring NuPathe and its one-of-a-kind prescription migraine patch Zecuity. This purchase will expand Teva's selection of drugs to treat conditions affecting the central nervous system, and will give it access to NuPathe's proprietary technology.

- "Teva Pharmaceutical Industries will acquire NuPathe Inc for \$3.65 per share in cash, or \$144 million, to expand its portfolio of medicines to treat conditions affecting the central nervous system (CNS)."
- "In addition to the upfront cash payment, NuPathe shareholders will receive rights to get additional cash payments of up to \$3.15 per share if specified sales of NuPathe's migraine treatment Zecuity are achieved over time, Israel-based Teva said on Tuesday."
- "NuPathe said it terminated its takeover deal with Endo Health Solutions Inc, saying Teva's offer represented a premium of about 28 percent over the upfront cash payment offered by Endo and equal amount of milestone-based payments."

Teva Pharmaceutical Industries Ltd.

- “Zecuity is the only prescription migraine patch approved by the U.S. Food and Drug Administration for the acute treatment of migraine in adults. It is a disposable, single-use, transdermal patch that actively delivers sumatriptan, the most widely prescribed migraine medication, through the skin.”
- “Teva, the world’s largest maker of generic drugs, will now have access to NuPathe’s proprietary technology including its transdermal delivery system for patients.”
- “Teva earlier this month named industry outsider Erez Vigodman to lead a revival of company, with a push beyond its ailing core business into branded drugs.”
- “The contingent cash payments include \$2.15 per share payable upon net sales of Zecuity reaching at least \$100 million in any four consecutive quarters, on or prior to the ninth anniversary of the date of the first commercial sale. Another \$1.00 per share will be paid upon net sales of at least \$300 million in any four consecutive quarters, on or prior to the ninth anniversary of the date of the first commercial sale of Zecuity.”
 - “The deal is expected to be completed in February.”

TEVA'S GENERIC DRUGS

These three secondary sources highlighted Teva’s sale of 31 generic drugs to ANI Pharmaceuticals, its first shipments of a generic version of Pfizer’s [Detrol LA](#) for overactive bladders, and its agreement with Pfizer for the release of a generic version of Viagra.

Jan. 7 Drug Store News [article](#)

Teva sold 31 generic drugs to ANI Pharmaceuticals for \$12.5 million and an undisclosed percentage of future product sales.

- “Ani Pharmaceuticals has bought 31 generic drugs from Teva Pharmaceuticals for \$12.5 million, the company said.”
- “The deal includes a cash transaction and a percentage of future gross profits from product sales, Ani said. Of the 31 drugs, 20 are oral-solid, immediate-release products; four are extended-release; and seven are liquid drugs. The drug maker said it would immediately start working on transferring them into its factories and expects to launch them in fourth quarter 2014. The drugs have combined annual sales of \$860 million, according to IMS Health.”
- “Ani also said this week that it had entered a fee-for-service development agreement for a generic drug product with Sterling Pharmaceutical Services, though it didn’t specify which product that was, except to say it had annual sales of \$60 million, according to IMS Health.”

Jan. 3 Daily Finance [article](#)

Teva is shipping out a new generic form of Pfizer’s Detrol LA for the treatment of overactive bladders.

- “Teva Pharmaceutical is shipping out a new product. The company announced it has launched the authorized generic form of Pfizer’s Detrol LA on the U.S. market. The drug will be sold in both two milligram and four milligram capsules.”
- “Detrol LA is used to treat overactive bladder symptoms such as leaks and excessive urination frequency.”
- “The drug is the latest addition to Teva’s broad portfolio of generic products. The company is coming off a challenging 2013, in which it saw its CEO depart, and the patent protection expiration date of its top-branded product, multiple sclerosis treatment Copaxone, brought forward in a legal dispute.”

Jan. 28 Urology Times [article](#)

Teva and Viagra manufacturer Pfizer have come to an agreement that includes Teva paying Pfizer royalties to release a generic version of Viagra by Dec. 11, 2017, in the United States.

- “Teva Pharmaceuticals, USA Inc. has been granted permission to launch a generic version of sildenafil citrate (Viagra) in the U.S. on Dec. 11, 2017, or earlier under certain circumstances.”
- “The permission came as part of a settlement of litigation between Teva and Viagra manufacturer Pfizer Inc. Teva will pay Pfizer a royalty for a license to produce its generic version. Teva has received tentative approval from the FDA for its generic version, the company said in a statement.”

Additional research by Karen Lusky, Renee Euchner and Linda Richards

Teva Pharmaceutical Industries Ltd.

The Author(s) of this research report certify that all of the views expressed in the report accurately reflect their personal views about any and all of the subject securities and that no part of the Author(s) compensation was, is or will be, directly or indirectly, related to the specific recommendations or views in this report. The Author does not own securities in any of the aforementioned companies.

OTA Financial Group LP has a membership interest in Blueshift Research LLC. OTA LLC, an SEC registered broker dealer subsidiary of OTA Financial Group LP, has both market making and proprietary trading operations on several exchanges and alternative trading systems. The affiliated companies of the OTA Financial Group LP, including OTA LLC, its principals, employees or clients may have an interest in the securities discussed herein, in securities of other issuers in other industries, may provide bids and offers of the subject companies and may act as principal in connection with such transactions. Craig Gordon, the founder of Blueshift, has an investment in OTA Financial Group LP.

© 2014 Blueshift Research LLC. All rights reserved. This transmission was produced for the exclusive use of Blueshift Research LLC, and may not be reproduced or relied upon, in whole or in part, without Blueshift's written consent. The information herein is not intended to be a complete analysis of every material fact in respect to any company or industry discussed. Blueshift Research is a trademark owned by Blueshift Research LLC.